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October 28, 2003

VIA E-MAIL

Mr. Dennis Oster
Customer Account Executive
Bonneville Power Administration
Transmission Business Line
P.O. Box 61409
Vancouver, WA 98666

Dear Mr. Oster:

The Public Power Council (PPC) submits the following comments on Bonneville Power Administration (BPA) Transmission Business Line's (TBL's) proposed methodology for calculating Available Transmission Capacity (ATC). PPC acknowledges the time and effort dedicated to developing this methodology and appreciates the continuing opportunity to participate in this process. PPC has three primary concerns about the ATC proposal.

I. Balancing the Risks

While PPC supports the sale of uncommitted ATC as a way to increase TBL revenues and reduce rates, more liberal methodologies for calculation of ATC create increased risk of overselling transmission capacity. Because TBL has no shareholders, it is the TBL customers who ultimately bear the risk of ATC calculation errors and overselling. That risk translates into increased costs from curtailments (i.e., non-federal redispatch) or federal system redispatch. In order to keep the existing customers whole, TBL must balance the risks of increased federal and non-federal redispatch costs against any assumed benefit to these customers from lower transmission rates. Because power costs are orders of magnitude larger than any reasonably expected reductions in transmission rates, it is incumbent on TBL to take a consciously conservative and incremental approach.

PPC has approached this process with caution because the balance that must be struck will be difficult to gauge even qualitatively. As a result, PPC has advocated throughout this process for a conservative set of load, generation and netting assumptions that should be used until TBL gains experience with the new methodology. In its last draft of the proposed methodology, TBL has evidenced a retreat from what was an appropriately conservative position. PPC believes this is a mistake and urges TBL, again, to take a more conservative approach.

II. Transmission Reliability Margin (TRM)

According to the draft "Transmission Business Line (TBL) Available Transfer Capability Methodology" (posted October 22, 2003) (October 22 draft), TRM is a "margin inserted into ATC calculation to account for nomograms, load forecast error and inherent modeling uncertainty"[1]. TBL proposes applying a TRM of 20% of the difference between the Planning and Contract Accounting ATC in cases where the Planning ATC is larger than the Contract Accounting ATC. In cases where the Contract Accounting ATC is greater than the Planning ATC, TBL proposes to apply no TRM.

This methodology appears arbitrary. By definition, TRM should be designed to account for forecasting or modeling errors. Basing TRM on the delta between two calculations that themselves depend on the accuracy of the forecasts and models does not seem to be a reliable indicator of the necessary TRM. A more straightforward approach might be to calculate TRM as a percentage of the total transmission capacity (TTC) across each flow gate unless the path represents a special case requiring a greater TRM.

Paths that are susceptible to a wide variation in generation pattern changes should be granted greater TRM since fluctuation of ATC is likely to be greatest on these paths. TBL has acknowledged this for some paths. PPC appreciates TBL's effort to include "special case TRM adjustments" (Raver-Paul, Cross-Cascades, and North-of-John Day). PPC is concerned that other flow paths may that experience a wide variation in generation through out the year that should have an increased TRM. It is unclear to PPC that TBL has run enough sensitivities to uncover all the paths that should be given special treatment.

PPC urges TBL to use a more prudent approach to calculation of TRM. The October 22 draft reduced TRM from 30% of the delta to 20% of the delta between the Planning and Accounting ATC. This reduction worries PPC because it shifts greater risk to TBL's customers. TBL has indicated that the new ATC methodology is likely to be refined over time. To minimize the risk to the agency and its existing customers, TBL should use start with more conservative estimates of TRM. Over time, if necessary, TBL can revisit these assumptions.

III. NT Rights

We noted in the first section that load, generation and netting assumptions are necessarily made in the proposed ATC calculation. These assumptions, however,

[1] October 22 Draft, p. 4

should be used only as a means of calculating ATC. They should in no way be used to limit or "redefine" the transmission capacity rights of NT customers. Appropriately, TBL does not specifically address a redefinition of NT rights in the October 22 draft. The information used to calculate ATC, such as the data contained in the "Calculation of Federal NT Rights based on Modified 90th Percentile Federal Generation Dispatch and Partial Netting" (10/22/03) spreadsheet posted on the contract lock website, should only be used to calculate ATC.[2] Implementing TBL's proposed ATC methodology may have implications for rates or contracts. Issues related to defining or base-lining NT rights should be discussed in a continuation of the "Contract Lock" forum or in another forum. PPC opposes any use of assumptions from the ATC process to limit or otherwise further define the contractual rights of existing customers.

In conclusion, PPC expects to continue to participate in this discussion and in the development of tools and procedures to implement the new ATC methodology. There are many questions and unresolved issues that we look forward to addressing in this and other forums. In addition, PPC has requested information from BPA regarding past redispatch and correlation with curtailment, among other matters. We will continue to pursue our information requests with you.

Sincerely,

Nancy Baker
Senior Policy Analyst

Margot Lutzenhiser
Associate Economist

[2]http://www2.transmission.bpa.gov/Business/Customer_Forums_and_Feedback/Contract_Lock/Documents/10-22-03FedNTRights.xls